



Memorandum

TO: PLANNING COMMISSION

FROM: Stephen M. Haase

SUBJECT: SEE BELOW

DATE: June 2, 2005

COUNCIL DISTRICT: 2

SUBJECT: MODIFICATION OF THE EDENVALE AREA DEVELOPMENT POLICY

RECOMMENDATION

Staff recommends the Planning Commission recommend approval of the modification of the Edenvale Area Development Policy (EADP) to address the proposed future mixed-use development of the Hitachi campus, a 332-acre site generally bounded by Cottle Road, Monterey Highway, State Route 85 and Manassas Road, which includes the retention of 3.6 million square feet of prime R&D, office and manufacturing space, up to 2930 attached residential units, and 460,000 square feet of industrial and neighborhood-serving commercial amenities, and to incorporate new analysis updating the transportation network and traffic volumes in Edenvale.

BACKGROUND

In June 2000, the City Council adopted an Area Development Policy (ADP) for the Edenvale area, which was modified slightly in November 2000. Analysis performed in the initial development of the Policy accounted for existing, approved and pending industrial development in Area 2 (See attached Policy and map) on the west side of U.S. 101, and assessed the additional transportation impacts of the additional buildout at certain development levels for the areas on the east side of U.S. 101. Key features of this policy related to industrial development are to:

- Allow up to 5.0 million square feet of new industrial development in New Edenvale, east of U.S. 101 to occur to meet market demand,
- Define the maximum building Floor Area Ratio (FAR) allowable to equitably allocate development potential to each parcel in New Edenvale, and
- Ensure construction of major gateway interchanges and infrastructure through a cooperation agreement between the Redevelopment Agency and the City, and through financing mechanisms associated with the creation of an assessment district in New Edenvale and a community facilities district in Old Edenvale. The major transportation improvements include the extension of Hellyer Avenue and related transportation improvements and interchange upgrades at U.S. 101/Blossom Hill /Silver Creek Valley Road and U.S.101/Hellyer Avenue and a bridge widening at Silicon Valley Blvd.

As a result of this policy, the Edenvale Technology Park retains a very competitive position in the Silicon Valley real estate market as a prime employment center. Without the Edenvale ADP, the

build-out of this key industrial area would have to be delayed to await the actual construction and completion of the gateway improvements and other necessary transportation improvements that are beyond the ability of a single property owner or development project to support. Under the policy, if the Edenvale industrial area proceeds to build-out levels in the near term, traffic Level-of-service (LOS) may greatly exceed City standards at gateway intersections leading into the area. However, since recent economic and real estate market conditions have resulted in less development in New Edenvale that previously expected these temporary LOS impacts at these intersections are expected to be less severe than when the traffic and operations analyses were prepared.

More recently, in October 2003, the City Council approved a modification to the EADP to provide for up to 222,000 square feet of retail commercial uses (Lowe's project) on an underutilized 18.75-acre IBM site on the northeast corner of Poughkeepsie and Cottle Roads, to the west of U.S. 101, where future development was not otherwise accounted for under the Policy. That commercial development was shown in the traffic analysis performed for the project to have a significant Level of Service impact on the gateway interchange at U.S.101/Blossom Hill/Silver Creek Valley Road, but it was determined that the ultimate capacity of the improved intersection design would accommodate both the planned industrial development in New Edenvale, and the Lowe's project, and meet the City's Level of Service policy standard.

This proposed modification to the EADP would facilitate additional development within the Edenvale Redevelopment Area, on the west side of U.S. 101, that was not previously contemplated or addressed in the planning for up to an additional 5.0 million additional square feet of industrial park/R & D/office uses. The proposed project, more fully described in a separate memoranda analyzing the changes to the City's General Plan (File Nos. GP04-02-01, GPT04-02-01, GP04-02-02 and GPT04,02-02) and the subsequent rezoning (File No. PDC04-031) of the 332-acre Hitachi campus, would retain 3.6 million square feet of R&D, office and manufacturing space at increased densities on half of the existing campus, and allow 2930 attached dwelling units and 460,000 square feet of industrial and neighborhood-serving commercial space on approximately half the site, .

MIXED-USE DEVELOPMENT WEST OF U.S.101

Demand for industrial development in Edenvale has fallen dramatically since 2001, shortly after the Edenvale Area Development Policy was approved in 2000, and the City has seen an increase in the number of vacant R&D office buildings in this and other industrial areas citywide. Of the 12 million square feet of built space in Edenvale, approximately 3 million square feet is currently unoccupied. Attainment of the full economic development potential of industrial development in New Edenvale, east of U.S.101, is likely to be slow to occur. However, Edenvale continue to be very competitive amongst similar Silicon Valley industrial parks. The availability of prime, affordable space in Edenvale has recently attracted industry leaders such as Integrated Device Technology, Inc. to acquire state of the art campus facilities for over 600 employees who will be housed on the campus in July 2005. Other companies attracted to and retained in Edenvale include Helio Solutions, Northrop Grumman, Electroglas and 11 start-up companies at the San Jose BioCenter. To the west of U.S.101, Hitachi retains a significant campus area of over 300 acres with existing square footage of approximately 3.6 million square feet, representing a current Floor Area Ratio (FAR) of below 0.30, and with a high number of the campus buildings vacant or significantly underutilized. Hitachi corporate executives believe that many of these buildings, most constructed more than 40 years ago, are or will soon become obsolete and will need to be

redesigned or replaced as Hitachi continues to grow and change to meet new technology trends. Within this area, however, there is an immediate economic development opportunity which could generate new employment and tax revenue for the City, provide additional commercial services in an area of the City which is currently underserved, and provide for almost 3,000 attached housing units proximate to a vital industrial hub. This development could, in turn, provide needed capital for reinvestment into and intensification of Hitachi's remaining industrial core to preserve existing industrial employment potential.

As the EADP has been developed, its primary goal has been to provide for continued timely industrial development in response to market forces while identifying the regional improvements required to ultimately provide full traffic capacity to meet the citywide Level of Service Policy, but of a scale that could not be borne by a single project developer. Staff believes the subject project could generate significant economic development benefits in this area in the near term and is appropriate to be included in the Policy.

Traffic Analysis

Additional traffic analysis has been performed for the mixed-use project incorporating updated traffic patterns which reflect the completion of the widening of U.S. Highway 101, roughly between Blossom Hill and Cochrane in Morgan Hill, the construction of local area roadways and intersection improvements in New Edenvale. Also included in the study background conditions are all automobile trips associated with the 3.6 million square feet of industrial space already entitled on the Hitachi campus, the buildout of the 5 million square feet of additional industrial square footage in New Edenvale, and the already approved Lowe's project for 222,000 square feet of commercial.

The traffic analysis for the mixed-use project identifies many local and/or operational traffic improvements which will be required of the project developers as mitigation, and which will be constructed with the buildout of the project in accordance with usual City practice. In addition to those improvements, the analysis identifies a significant impact to one of the Policy's existing "gateway intersections" at Blossom Hill/U.S. 101/Silver Creek Valley Road, and identifies two additional regional-scale improvements needed to support future project access on the west site of U.S. 101 specific to the new commercial and residential uses:

- Addition of a loop ramp from northbound Cottle Avenue to northbound State Route 85
- Improvement) of the southbound off-ramp from State Route 85 to Great Oaks Boulevard

These two improvements are needed to provide improved access required by the addition of the mixed-use development on the Hitachi campus, and will also provide significant benefit to areawide traffic patterns throughout Edenvale. Both of these improvements require participation and approvals beyond the City's jurisdiction including review and design approval by Caltrans. These projects, therefore, even with identified funding and a smooth process, could take 5 years to complete construction. By including this development proposal in the Edenvale Area Development Policy, and specifying the timeframe and development triggers for construction, development of the commercial retail space and the attached residential units could move forward concurrently with the planning and construction of the improvements, but more quickly than under

the City's standard process which would require that construction of the improvements be completed generally within one year of occupancy of the project.

Providing for the Hitachi project and the associated regional improvements to be covered by the EADP will allow the City to benefit more quickly from the employment and sales tax revenue that will be generated by the site. The developers for the Hitachi project will make a fair-share contribution toward the overall Edenvale Area transportation improvements, consistent with fair-share contributions made by other Edenvale industrial and commercial developments, and which was a condition of the Lowe's project approval. Inclusion of the project development in the Edenvale Area Development Policy would allow the proposed project to proceed in conformance with the General Plan Transportation Level of Service policy.

PUBLIC OUTREACH

Notices of the public hearings of a proposed modification to the Edenvale Area Development Policy have been mailed to the property owners and residents within 1000 feet and beyond, and in addition, a notice has been published in the San Jose Mercury News. Staff has been available to discuss the project with members of the public. Community meetings on the project have been hosted with neighborhood groups and the Edenvale corporate community.

ENVIRONMENTAL REVIEW

Environmental review of the proposed Modification to the Edenvale Area Development Policy to specifically include and address the development of the Hitachi GST 332-acre site is addressed in the Draft Environmental Impact Report prepared for the Hitachi Campus and Mixed-Use Transit Village Project scheduled to be heard by the Planning Commission ahead of this item.

COORDINATION

This memorandum has been prepared in coordination with the Redevelopment Agency, the Department of Public Works, Department of Transportation, and the Office of the City Attorney.

STEPHEN M. HAASE, DIRECTOR
Planning, Building and Code Enforcement

Attachment

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